

Message Text

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44

ACTION AF-18

INFO OCT-01 EUR-25 NEA-10 ISO-00 EB-11 COME-00 INT-08

SCEM-02 SCI-06 OMB-01 TRSE-00 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01

SPC-03 SS-20 USIA-15 ACDA-19 IO-14 DRC-01 /193 W

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R 081105Z NOV 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 1702

INFO AMEMBASSY ADDIS ABABA

USINT ALGIERS

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LISBON

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY PRETORIA

AMEMBASSY THE HAGUE

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

C O N F I D E N T I A L LAGOS 8963

E.O. 11652 GDS

TAGS: ENGR, PFOR, NI

SUBJECT: NIGERIAN OIL AS POLITICAL WEAPON

REF: LAGOS 8929 (NOTAL

BEGIN SUMMARY: RECENT EVENTS SUGGEST FMG USE OF OIL AS
POLITICAL WEAPON COULD BE MORE SERIOUS POSSIBILITY THAN
APPEARED BE CASE ONLY FEW WEEKS AGO. END SUMMARY.

1. ANNOUNCEMENT REPORTED REFTEL THAT NIGERIA WILL NOT
"STEP-UP" OIL PRODUCTION TO BENEFIT FROM OAPEC CUTBACKS
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IS FIRST FMG OFFICIAL RESPONSE TO ARAB USE OF OIL AS

POLITICAL WEAPON. PLEDGE BY MOUGUNO OFFERS SUPPORT TO ARABS WITHOUT DISTURBING CURRENT NIGERIAN OUTPUT, REVENUES, OR CONTRACTS, AND IS THUS IN LINE WITH FMG ATTITUDES ON USE OF OIL AS POLITICAL WEAPON OUTLINED IN LAGOS 8691.

2. HOWEVER, SEQUENCE OF RECENT AND PROSPECTIVE EVENTS RAISES POSSIBILITY THAT FMG MIGHT BECOME MORE AMENABLE THAN HITHERTO THOUGHT LIKELY TO USE OF ITS CRUDE OIL PRODUCTION FOR POLITICAL ENDS. NEAR-DOUBLING OF POSTED PRICE FOR NIGERIAN CRUDE (LAGOS 8865) HAS REMOVED ONE OF STRONGEST CONSTRAINTS ON POSSIBLE FMG USE OF OIL AS POLITICAL WEAPON, SINCE PRODUCTION COULD NOW BE CUT UP TO 50 PER CENT WITHOUT REDUCING CURRENT REVENUES TO FMG. NIGERIA WOULD HAVE TO BE WILLING TO FOREGO ANTICIPATED REVENUE INCREASES, DISRUPT EXISTING MARKETS, AND JEOPARDIZE SUCH INVESTMENT PROJECTS AS LNG, BUT SHORT RUN FINANCIAL IMPACT OF GENERAL OR SELECTIVE CUTBACKS WOULD BE SLIGHT.

3. ISSUE HAS BEEN PUT INTO SHARPER FOCUS BY REPORT CONTAINED ADDIS ABABA 12609, TO EFFECT THAT OAU MAY SEEK OBTAIN ARAB CONCURRENCE IN PETROLEUM EMBARGO ON "SOUTHERN AFRICA" AS QUID PRO QUO FOR AFRICAN BREAKS WITH ISRAEL. SHOULD THIS BE RAISED IN PROPOSED FONMINS MEETING, NIGERIA MIGHT FACE PRESSURE TO JOIN WITH OAUPEC MEMBERS IN CONCERTED USE OF OIL AS POLITICAL WEAPON--E.G., FMG TO JOIN ARAB EMBARGO ON "FRIENDS OF ISRAEL" SUCH AS US WHILE ARABS FOLLOW RECENT SAUDI EXAMPLE AND EMBARGO OIL TO SOUTH AFRICA (AND PERHAPS TO PORTUGUESE TERRITORIES AS WELL).

4. GIVEN FMG COMMITMENT TO DO ALL POSSIBLE END MINORITY RULE IN SOUTHER AFRICA, NIGERIANS WOULD FACE DIFFICULT DILEMMA IN EVENT ISSUE PUT BEFORE THEM IN THIS CONTEXT IN PRESSURE COOKER OF SPECIAL OAU MEETING. IN ADDITION WEIGHTING COSTS TO THEM OF JOINING ME-ORIENTED EMBARGO (PARA 2 ABOVE)N FMG WOULD PRESUMABLY HAVE TO CONSIDER WHETHER ARAB EMBARGO AGAINST SOUTHERN AFRICA LIKELY BE EFFECTIVE IN VIEW ALTERNATIVE SOURCES OF
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SUPPLY.

5. WE STILL BELIEVE NIGERIANS WOULD VERY MUCH PREFER HOLD LINE AT MONGUNO PLEDGE NOT TO INCREASE SCHEDULED PRODUCTION. NEVERTHELESS, SHOULD HYPOTHETICAL SEQUENCE OUTLINED ABOVE BE PLAYED OUT, PRESSURE ON FMG TO USE OIL AS POLITICAL WEAPON WOULD BE STRONG AND FMG MIGHT FIND IT DIFFICULT TO RESIST ACTION OF SOME KIND, EVEN

THOUGHT IT MIGHT STOP SHORT OF FULL EMBARGO OF US AND
OTHER ISRAELI ALLIES.
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